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Department Calls Hearing

The Department has scheduled a public hearing to consider amendments to California's milk pricing and pooling plans based on petitions received from California Dairies, Inc. (CDI) and Land of Lakes, Inc. (LOL). The hearing will be held on November 29, 2001, in Sacramento, California at the Department of Food and Agriculture Auditorium at 1220 N Street in Sacramento and will begin at 9:00 a.m. A copy of both petitions can be obtained by contacting the Dairy Marketing Branch at (916) 654-1456 or by accessing the Department's website at www.cdffa.ca.gov/dairy. From the website, click on "Dairy Industry News" and then "Petitions Received by the Department" and scroll down to the reference to the petition.

The CDI petition, as amended, proposes amendments to the Class 4a pricing formula (milk used for manufacturing milk into butter and nonfat dry milk) that would result in lower Class 4a prices. The LOL petition requested that, if a hearing is granted as a result of the CDI petition, the Class 4b pricing formulas (milk used to make cheese other than cottage cheese) also be considered. The LOL petition proposes amendments to the Class 4b pricing formulas that would result in lower Class 4b prices. Since the proposals would affect prices for Class 4a and 4b milk, the call of this hearing will include for consideration, in addition to the Class 4a pricing formulas, consideration of Class 2 and Class 3 pricing formulas because portions of those pricing formulas are linked to Class 4a prices. Because the petitions propose changes to pricing levels, consideration will primarily focus upon pricing levels.

Interested parties are encouraged to submit proposals detailing alternatives to deal with the issues raised in the call of the hearing. As noted above, the hearing will focus on proposed amendments to the price levels specified in the Plans for Classes 2, 3, 4a and 4b. Alternative proposals should focus on changes to:

- ♦ The Class 2 and 3 differentials (currently 3.7¢ and 3.93¢ per pound of fat and 5.86¢, 6.43¢ and 9.01¢ per pound of solids-not-fat); and
- ♦ The Class 4a and 4b manufacturing cost allowances (currently 9.7¢ per pound of butter, 14¢ per pound of nonfat dry milk and 16.9¢ per pound of Cheddar cheese)

See **HEARING** on Page 7

September Milk Production

Milk production in California for September 2001 totaled 2.7 billion pounds, up 4.3 percent from September 2000. USDA's estimate for U.S. milk production September 2001 in the 20 major dairy states is 11.4 billion pounds, down 0.7 percent from September 2000. Production per cow in the 20 major states averaged 1,471 pounds for September, which is 7 pounds above September 2000. ☀

Quota Transfer Summary

For September 2001, 4 dairy producers transferred 873.75 pounds of solids-not-fat (SNF) quota. The quota sales averaged \$437 per pound of SNF (without cows), with an average ratio of 2.53. These transfers were effective September 1, 2001. For September 2000, 8 dairy producers transferred 8,159 pounds of SNF quota, averaging \$412 per pound of SNF (without cows), with an average ratio of 2.44. ☀

Minimum Class Prices

Statewide average hundredweight prices

Class	Sept. 2001	Oct. 2001	Nov. 2001
1	\$17.11	\$17.87	\$16.28
2	\$15.45	\$15.89	\$15.89
3	\$15.40	\$15.72	\$15.72
4a	\$15.35	\$12.52	—
4b	\$15.55	\$12.30	—

Federal Order and California Minimum Class 1 Prices

Average Hundredweight Prices

Regions	Oct. 2001	Nov. 2001
Phoenix, Arizona	\$18.28	\$18.11
Southern California	\$18.01	\$16.42
Portland, Oregon	\$17.83	\$17.66
Northern California	\$17.73	\$16.14



California Department of Food & Agriculture

William (Bill) Lyons Jr., Secretary
Robert "Tad" Bell, Undersecretary
Daniel E. Webb, Deputy Secretary
Valerie Brown, Deputy Secretary
Vanessa Arellano, Assistant Secretary

The California Department of Food and Agriculture, Dairy Marketing Branch publishes the California Dairy Review monthly. To subscribe, call (916) 654-1456. Please direct any comments or suggestions for future newsletters to Karen Dapper at (916) 654-1456 or send an e-mail to dairy@cdfa.ca.gov

California Alfalfa: October

Northern California: October found Premium and Supreme alfalfa steady to firm with most of the demand for high test hay. Continuing to see high test hay coming in from out of state. Demand for Fair and Good alfalfa light to moderate with beef cattle accounts holding off on buying additional hay at this time. Retail and Stable hay demand steady to firm, with some sales moving out of barns. Exporters remain very quiet. A fair amount of hay has been seen in stacks and barns, in anticipation of a good market this winter.

Southern California: This month showed Premium and Supreme alfalfa not well tested. High desert areas still mostly on retail hay production. Chino/LA area dairies very quiet and not showing much demand for hay purchases. Fair and Good alfalfa steady, but lack of demand for lower-end hay with grass or other faults. Bermuda hay for retail and export holding steady. Beginning to see some interest in barn hay. Export interest continues to be light. ☀

Shown below are alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA.

Alfalfa Hay Sales and Delivery September/October, 2001

	September 2001	October 2001
Tons Sold ¹	164,644	147,770
Tons Delivered ²	91,726	67,896

California Supreme Hay Prices

Statewide average hundredweight prices

Area	October 2001 Prices			
	10/5	10/12	10/19	10/26
Petaluma	\$182-190	\$175-190	\$170-185	\$175-190
North Valley ¹	\$170-185	\$172-195	\$170-198	\$180-190
South Valley ²	\$164-195	\$164-190	\$164-192	\$175-195
Chino Valley	—	—	—	—

¹North Valley is Escalon, Modesto and Turlock areas.

²South Valley is Tulare, Visalia and Hanford areas.

For current pricing information and reports on the FOB market, you may subscribe to the California Alfalfa Hay Weekly Summary by calling (509) 765-3611. Weekly reports are available on the Internet at:

<http://www.ams.usda.gov/marketnews.htm>

Dairy producers are encouraged to send the Department information appropriate to this section that they would like to share with other producers via this newsletter by contacting Karen Dapper by phone at (916) 654-1456 or by fax at (916) 654-0867.

Dairy Council Appointments

CDFA recently conducted nomination procedures to fill four of the twelve producer positions and four of the twelve handler positions on the Dairy Council of California. Based on these procedures, CDFA has appointed the following individuals to serve a three-year term on the Dairy Council.

Producers

Charles Ahlem	Hilmar	Reappointed
Mary Cameron	Hanford	Reappointed
Andy Rynsburger	Strathmore	Reappointed
Chris Sawyer	Waterford	Reappointed

Handlers

Richard Clauss	Hilmar Cheese	Reappointed
R. Kenneth Mercer	Chase Brothers	Reappointed
Mike Newell	Crystal Cream & Butter	Reappointed
Richard Walrack	Santee Dairy	Reappointed

CDFA appreciates all those who participated in the nomination process. If you have questions about the Dairy Council of California, please call Peggy Biltz, CEO of the Dairy Council, at (916) 263-3560 or Steven Donaldson of the CDFA Marketing Branch at (916) 654-1245.

Dairy Exemption Number Renewal

The Bureau of Livestock Identification will be mailing Dairy Exemption Number Renewal forms in mid-November. These dairy exemption numbers expire December 31, 2001. The renewal fee is \$50.00. If you have a Dairy Exemption Number with a 7 or 97 in it such as this example, 54 LS**97** 0003, you should be receiving a renewal notice. Remember any change of ownership, including information or dissolution of a corporation or any change whatsoever in the membership of a partnership, firm or company, will void this exemption. If you have not received your renewal notice, contact the Bureau of Livestock Identification at 916-654-0889. Renewal is the owner's responsibility.

Farmstead Cheesemaking . . . Cal Poly Insights

Cal Poly, San Luis Obispo, may have just the course for you if you've ever considered processing your own milk or wondered what was entailed in becoming a farmstead cheesemaker. *"Dairy Science and Technology Basics for the Farmstead Cheesemaker"* is a four-day course covering the basics one needs to know, namely:

- ◆ Theory of cheese making,
- ◆ Actual hands-on cheese making,
- ◆ Sanitation basics,
- ◆ Preparing a business plan: finance, bookkeeping and marketing,
- ◆ Buying equipment, new or used,
- ◆ Government regulations, and
- ◆ Tasting and evaluation of varietal cheeses suitable for the farmstead operation.

An alternative to expansion for the small dairy operation is trying a new approach, such as becoming a farmstead cheesemaker. As a farmstead cheesemaker, a producer acquires all the advantages and **risks** of vertical integration. They can sell their cheese at wholesale to distributors and/or at retail to consumers. This allows them to receive revenue from selling a value-added product. It also entails risks because not only do they have to be good dairy farmers, but also good cheesemakers and marketers.

Marketing is the most risky step. Any farmer who can produce good quality milk probably has the managerial skills to produce good quality cheese. There are numerous niche markets for varietal cheeses. After deciding which cheeses to produce, the cheesemaker then markets them to distributors who will sell the varietal cheeses to retailers and food services. In addition, the farmstead cheesemaker can sell directly at farmers' markets.

In addition to the basics course, Cal Poly also offers two additional four-day courses on cheesemaking, *Cheese Short Course I and II*. If a farmstead "ice cream" operation is of interest, consider the five-day *"Frozen Dairy Desserts Manufacturing Short Course."* There are also two courses of general interest for any farmstead operation: "Dairy Cleaning and Sanitation Short Course" (two days) and *"Milk Processing Technology Short Course"* (two days).

Recently, Tom Gossard, CDFA Dairy Marketing Branch economist, attended the Cal Poly course on "Milk Processing Technology." This course covers the basic scientific information and practical understanding needed to process milk. Experts from universities, government, and industry serve as course instructors. Tom reported that the course offered instruction on the following:

Foundations:

- ◆ Composition, properties and processing characteristics of milk
- ◆ Chemical and bacteriological factors affecting milk
- ◆ Official sampling procedures for milk
- ◆ Microbiological and chemical tests

Components of Processing:

- ◆ Fluid flow and heat exchange
- ◆ Milk separation, clarification, and standardization
- ◆ Dairy processing equipment – valves and pumps
- ◆ Sensory evaluation
- ◆ Pasteurization and homogenization principles

Components Integrated Into Processing Systems

- ◆ Pasteurization systems
- ◆ High Temperature, Short Time (HTST) pasteurization systems
- ◆ Pasteurization record keeping

Cleaning and Sanitizing

- ◆ Bacterial pathogens
- ◆ Cleaning and sanitizing principles
- ◆ Clean-In-Place (CIP) systems

Tom reports that this course was taught by a group of knowledgeable and friendly professionals, which included industry and government representatives, as well as Cal Poly staff. Besides the opportunity to interact with the instructors and fellow students, one of the high points of the class is the plant tour. The guides are not Cal Poly staff, but inspectors from the CDFA Milk and Dairy Foods Control Branch. The

inspectors point out the types of things they look for when inspecting a dairy plant. This is very useful information for anyone wanting to establish an on-farm processing facility.

For more information on courses at Cal Poly, please contact Laurie Jacobson by phone at (805) 756-6097, by email at ljacobso@calpoly.edu, or visit their website at <http://www.calpoly.edu/~dptc>.

Alfalfa Symposium: Market Trends & Other Topics

By Aaron Kiess, Executive Director, CAFA

Excerpts from November CAFA Column in the Western Farm Press

The annual California Alfalfa Symposium always offers a wealth of information for growers and other members of the alfalfa and forage industry. This year's symposium will be held December 12-13, 2001, at the DoubleTree Hotel in Modesto. On the first day of the Symposium, Seth Hoyt, CDFA Ag Statistics, will discuss market trends in the California alfalfa industry. In October, CAFA asked Hoyt for an update on the alfalfa market and he responded with the following interesting facts and figures:

"Alfalfa hay prices in 2001 have surpassed the previous record high prices in 1997." Hoyt thought the California hay market would be strong in 2001, but he added, "it outpaced even my expectations."

"Alfalfa hay yields have been a mixed bag in California this season but overall, appear to be higher than last year. Because of the strong market for dry cow hay, there were growers in the Imperial Valley and San Joaquin Valley, the two main production areas, that were harvesting for tonnage rather than quality this summer. Sources indicate that some yields per cutting in the southern San Joaquin Valley this summer were topping two tons per acre. Whitefly damage in the Imperial Valley appeared to be minimum which also contributed to the higher yields." The overall yield is estimated at 7.2 tons per acre for the year, the same as 1997. It is the main reason that early estimates of alfalfa production in California in 2001, at 7,272,000 tons, are two percent above 2000.

A question that is likely being asked is how the alfalfa hay market could be at record high levels if production is above 2000? Hoyt cited three factors: 1) low stocks into 2001, 2) alfalfa shipments into California from other states from January through August were down 4 percent from the same period last year, and 3) an increase of 210,000 dairy cows since 1997 (total of 1.59 million). This doesn't include the January 1, 2001, estimate of 750,000 milk replacement heifers over 500 pounds being fed in California, Hoyt noted. "The consumption of hay by dairy cows and dairy heifers is one of the main drivers of the higher alfalfa hay market in 2001."

In trying to look ahead, Hoyt would be "very surprised not to see alfalfa acres go up in 2002." Alfalfa hay has been one of the bright spots in a bad year for most California field crop commodities. Following record prices in 1997, alfalfa hay acres in California increased 100,000 the following year. And in 1984, following a strong market the previous year, acreage went up 70,000. "After missing my personal estimate of higher alfalfa acreage in 2001, maybe this time I'll be right." I realize that water will be a big issue and it may prompt a few growers to wait until Spring before they plant," he observed. Nonetheless, record high prices in 2001 will probably mean more alfalfa hay acres in 2002.

At the symposium, Hoyt will discuss in more detail the balance between alfalfa acreage and alfalfa hay consumption in California.

Representatives from the U.S. Department of Agriculture (USDA) will visit area dairies this January to conduct the initial survey for Dairy 2002, a national study of health and health management practices at

U.S. dairies. Conducted by the USDA's National Animal Health Monitoring System (NAHMS), Dairy 2002 is a continuation of studies that address priority issues of the U.S. dairy industry. In 1991, NAHMS conducted the Dairy Heifer Evaluation Project (DHEP). Through this project, baseline information on heifer health, illnesses and management practices, as well as prevalence estimates for *Cryptosporidium*, Levels of participation in quality assurance programs, the incidence of digital dermatitis, and a profile of animal waste handling systems used on U.S. dairy operations were also examined. The Dairy 2002 study will continue to address these important issues.

Objectives of the Dairy 2002 study include:

- ◆ Describing management strategies that prevent or reduce the prevalence of Johne's Disease, and identify how these strategies have changed since 1996.
- ◆ Evaluating management factors associated with key food safety pathogens in U.S. dairy cattle.
- ◆ Describing the level of understanding and preparedness of U.S. dairy producers to respond to threats of foreign animal diseases.
- ◆ Describing biosecurity practices and trends on U.S. dairy operations.
- ◆ Describing baseline dairy cattle health and management practices used on U.S. dairies and the changes in these practices since 1996.
- ◆ Describing animal waste handling systems used on U.S. dairies.
- ◆ Describing U.S. dairy producers' attitudes towards, and uses of, animal identification.

Data collectors from the National Agricultural Statistics Service (NASS) will begin the study by contacting about 4,000 dairy producers in 21 states. These states represent 83 percent of U.S. dairy herds and 85 percent of U.S. dairy cows. The data collected is summarized and used in regional and national estimates.

Selected producers, at their option, may receive an additional contact by a Veterinary Medical Officer from the Animal and Plant Health Inspection Service: Veterinary Services (APHIS:VS), who will explain the second phase of the study. Participation in the Dairy 2002 study is strictly voluntary. As always, links between NAHMS data and operations where the data were collected are confidential and not included in national databases.

For more information on Dairy 2002, contact:

Dr. Brian McCluskey, (970) 490-7803

Centers for Epidemiology and Animal Health

USDA:APHIS:VS, Attn: NAHMS

555 South Howes, Fort Collins, CO 80521

NAHMSweb@aphis.usda.gov

www.aphis.usda.gov/vs/ceah/cahm

HEARING - Continued from page 1

Alternative proposals must be received by the Department's Dairy Marketing Branch by 4:00 p.m. on November 9, 2001, by fax at (916) 654-0867, or by mail at: Dairy Marketing Branch, California Department of Food and Agriculture, 1220 N Street, Room A-224, Sacramento, CA 95814.

A public workshop will be held in Sacramento on November 15, 2001, at the Hyatt Regency Hotel, 1209 L Street, Sacramento, and will begin at 9:00 a.m. At this workshop, interested persons can review and discuss all proposals submitted with Department staff and other interested parties. The Department will supply background and analysis of the petitions and alternative proposals submitted by the November 9 deadline. If any interested party has questions regarding the call of this hearing or needs assistance in developing language for a proposal, please contact Eric Erba or Tom Gossard at (916) 654-1456. ☀

New USDA Approach to National Farm Policy

USDA Secretary Ann Veneman introduced a new USDA approach to national farm policy on September 19, 2001, in a 120-page report titled "Food and Agricultural Policy: Taking Stock for the New Century." The report is the Bush Administration's review of the food and agriculture system with a view toward identifying critical needs for the new century. You can download that report at <http://www.usda.gov>. ☀

A.J. Yates Receives USDA Appointment

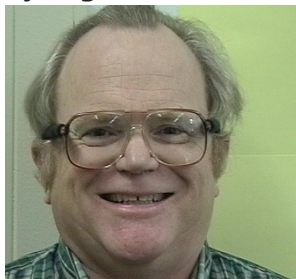
On September 18, 2001, USDA Secretary Ann Veneman appointed A. J. Yates as the Administrator of USDA's Agricultural Marketing Service. As you probably recall, Mr. Yates was a CDFA Deputy Secretary from 1991 through 1996, and Under Secretary until leaving CDFA in January 1999. The role of USDA's Agricultural Marketing Service is to maintain a stable marketing environment for the benefit of America's farmers, ranchers, and consumers. More information about this appointment can be found on the web at <http://www.usda.gov/news/releases/2001/09/0182.doc>. ☀

Dairy Options Pilot Program

Round III has been completed, watch for information on Round IV upcoming in 2002. For information, call Dana Thissen at (530) 792-5870. ☀

CDFA Dairy Marketing Branch: Getting to Know Us . . .

California Dairy Review readers have expressed an interest in getting to know better the people that not only work within the Dairy Marketing Branch but also serve the dairy industry in so many different ways. So, in response to reader request, the Dairy Review will highlight a Branch employee each month - hopefully this will help you connect faces with voices, and help you get to know us better!



Tom Gossard, Economics Unit
My sister and I were raised in Mendocino County. My father also worked for the State, although he was with the Department of Forestry. My mother was an elementary school teacher.

My early career was with the University of California. I did research work at the Kearny Field Station, the Bodega Marin Laboratory and the Space Sciences Laboratory. I joined the Dairy Marketing Branch at CDFA in 1985. In the sixteen years I have been with the branch, California's milk production has doubled and it will probably double again before I retire. The dairy industry is complex enough that each day I learn something new.

My wife and I live in Davis. We have six grown children and six grandchildren ranging in age from 6 months to sixteen years of age. ☀

Nominations for MPSTF Board

The Department of Food and Agriculture is seeking nominations for an upcoming vacancy on the Milk Producers Security Trust Fund Board. The seven-member board is comprised of three milk producers, two handler representatives, and two non-producer members representing cooperative associations of milk producers. On December 31, 2001, the appointment of one producer-member will expire. The Secretary is seeking nominations for a milk producer to serve a three-year term. Case Van Steyn is eligible for reappointment and has expressed an interest in serving another term.

Before making appointments to the board, the Secretary desires to obtain dairy industry input. Persons interested in serving on the board should submit a letter to the Department of Food and Agriculture, Dairy Marketing Branch, expressing their interest. Letters should be received by Monday, December 3, 2001. Please contact Greg Lawley at (916) 654-1456 if you have any questions. ☀

Hundredweight Pool Prices

Month	Quota	Overbase
March '00	\$11.73	\$10.03
April	\$12.06	\$10.36
May	\$12.24	\$10.54
June	\$12.78	\$11.08
July	\$13.00	\$11.30
August	\$13.02	\$11.32
September	\$13.31	\$11.61
October	\$12.29	\$10.59
November	\$12.69	\$10.99
December	\$12.98	\$11.28
January '01	\$12.73	\$11.03
February	\$13.04	\$11.34
March	\$13.88	\$12.18
April	\$14.65	\$12.95
May	\$15.70	\$14.00
June	\$16.46	\$14.76
July	\$16.35	\$14.65
August	\$16.70	\$15.00
September	\$16.95	\$15.25

Mailbox Prices for May 2001

